



Gold

Bid		Offer		Benchmarks		CME Change				
Gold AUD	\$1,679.04	\$1,679.64	AM	\$1,334.95	Net	19,804,000	AUD	0.7987		
Gold USD	\$1,341.20	\$1,341.48	PM	\$1,333.85	Δ %	22.92%	CNY	6.4684		
CME Au	\$1,334.15	Ag	17.07	\$17.10	Δ Toz	4,539,000	EUR	1.2264		
VWAP Au	\$1,326.06	Ag	\$17.11	\$991.00	Δ Toz	-1,097,918	JPY	111.06		
52 week high (US\$)		52 week low (US\$)		AM	\$994.50	Global	71,556,357	LME	7,050.00	
Au	1,366.15	-1.82%	1,195.08	12.24%	PM	\$994.50	Δ %	0.06%	CA	2,207.00
Ag	18.65	-7.95%	15.19	13.04%	AM	\$1,111.00	Δ Toz	45,937	AH	13,350.00
Pt	1,044.75	-4.24%	873.21	14.57%	PM	\$1,105.00	Δ Toz YTD	34,378	NI	3,496.00
Pd	1,139.68	-7.06%	741.29	42.89%	AM	2.533%	WTI	\$63.95	ZN	3 Month
				US	10 Yr	2.824%	BRENT	\$69.15		
				US	30 Yr	0.559%				
				Bund	10 Yr					

Gold has achieved near term upside targets after testing the US\$1325 support level on the 18th. The market is retreating somewhat after last week's highs as the USD recovers somewhat – the DXY is cycling back from a target to 88.60 made in September-November 2017, and looks like rallying to 90.91.

Gold's upside targets remain in place and the longer term bullish picture remains intact or not fatally troubled, above US\$1240.

The imminent State of the Union address probably helped the USD/hurt gold in the short term. Today President Trump said that he wants a bill to permit US\$1.50 trillion of Federal spending on infrastructure. According to the American Society of Civil Engineers, that's about how much the country needs just to 'bridge' the current infrastructure gap. It's worth bearing in mind that the effects of a big fiscal boost tend to be disappointing in a large indebted economy with a flexible exchange rate regime and an inflation-targeting central bank. If you happen to know one of those, let me know...

Additionally, with unemployment at 4.10%, and even U-6 unemployment (amongst the discouraged job-seekers and the part-time) down at 8.10 pct., back to early 2007 levels, inflation risks cannot be discounted lightly, a risk that is positive for gold and negative for the Dollar, all other factors being equal...Targets on the 10 year yield cluster around 2.77-2.85 pct.

CME positioning shows another rise in gold managed money length to Tuesday the 23rd of January, with gross length now 23.60 million Tozs. Shorts have increased very lightly. All this took place at a VWAP of US\$1334. Open interest rose by 1.55 million on the 24th as prices closed US\$17 above the market open,

and then dropped by 3.27 million FTozs between the close of the 24th and the 29th, implying a strong round of long liquidation.

Targets: these suggest a move to US\$1305, with support at US\$1316 from the Daily Standard Line, which is also around the 38.20 pct. retracement of the rally from the low of December.

Significant support should come in at US\$1301, the 50% retracement of the up-move, and currently where the Weekly Turning and Standard lines sit side-by-side.

Silver rallied to the (almost) the top of the Weekly Ichimoku cloud, before retreating from the top of the cloud. Resistance now lies at US\$17.66. Support lies at US\$16.92. CME futures positioning shows that Managed Money longs shed another 30.96 million Tozs in the 16th-23rd January period, at a VWAP of US\$17.07. Managed money shorts, who had been strong buyers, taking in almost 173 million Tozs in the period 19th December-16th January, turned sellers of 18.23 million Tozs, with net positioning dropping by 49 million Tozs since the 16th and 72.53 million since the 9th of Jan. The 24th saw a 29 million Tozs rise in Open interest, which looked like an influx of longs basis price behaviour, and that influx was flushed out last Friday as open interest returned to the same level as the 23rd, as prices came off hard towards the end of the week.

Ratio-wise, silver hugs support at the 77-78 level; however a break below could see silver outperform gold to around 73.

Expect support around US\$16.95-17.00, then US\$16.66. I'm sort of bullish to US\$18.32 but as ever with silver, an absolute viper of a metal, one feels a bit cautious.